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UPDATE ON MAJOR GENETIC FOOD DEVELOPMENTS SINCE SEPTEMBER 15

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Several developments in October and early November add uncertainty to the future demand prospects for genetically modified crops. In mid-November, about 50 members of the U.S. Congress introduced a bill that would require U.S. food to be identified with a genetic origin label if one or more ingredients has 0.1% or more of genetically modified material. That is an even closer tolerance level than EU's one percent. ***Also, Japan's three futures markets indicate they plan to offer two separate types of soybean futures contracts starting in April of 2000: non-GMO and GMO contracts.*** Reports from Reuter News Service, a major and widely respected international news service, indicated last month that some Japanese processors were paying premiums of 40 to 50 cents and 50 to 60 cents per bushel, respectively, for non-GMO corn and soybeans. Brazil has extended its ban on planting of GMO soybeans for at least three years, and has substantially tightened penalties for planting such soybeans. ***Penalties include destroying the crop.***

Food Labeling Expands Beyond EU

The list of countries with existing, development-stage food labeling, or planned food labeling by genetic origin includes the EU countries, Japan, Russia, the Philippines, Thailand, Australia, New Zealand, the United States, Canada, and possibly Korea (where over 90% of consumers in a recent survey indicated they would like genetic origin labeling). Most of these countries appear to have a time frame of 12 to 15 months for developing and implementing food-labeling plans. This movement is being driven by consumer desire to know what the food contains, so that they can make individual choices about what to eat. Consumer concerns include food safety issues (whether research has been adequate to identify any possible cancer risk, for example), environmental issues related to desirable insects, birds, and other wild-life, and ethical issues. It is not clear what exactly is included in ethical issues, although one dimension of this is the "Terminator Gene" and its negative implications for developing nations where poverty causes farmers to save back seed from current crops for planting the next year. One environmental concern in Europe reportedly is whether the genetically modified traits in some cases might be passed on to close wild relatives of the crop. That, in part, stems from reported experimental results causing a round-up ready rapeseed to cross with a wild turnip. ***What is important for the market is consumer perception, and that does not necessarily match up with science.***

Japan and South Korea are our largest and second-largest corn export markets. The European Union is our largest export market for soybeans, and has been for decades. It also is a large market for soybean meal, and is the dominant market for corn gluten feed and meal.

Labeling Issues

Food labeling likely will be a serious and controversial issue in the World Trade Talks which

begin in Seattle in January. So far, food labeling has affected only grain directly processed into human foods, but not livestock and poultry feeds or pet feeds. A development to watch closely is the European Union's discussion of a possible plan for feed-ingredient labeling by genetic origin. If that is approved, it would have very serious implications for U.S. soybean, soybean meal, and corn gluten product exports to EU. The U.S. lost the EU corn market a couple years ago. It had been about 120 million bushels due to access to Spain and Portugal's markets when they joined the EU. Thus, EU feed ingredient labeling would not threaten U.S. corn exports, unless it would set a pattern for other nations to follow.

The chart below shows the recent trend in EU imports of U.S. soybeans. The GMO issue may have been a factor in EU's recent sharp decrease in purchases of U.S. soybeans, despite very low meal prices. Alternatives for EU users include domestic EU oilseeds, field peas (which are a protein feed, and whose acreage has increased in Europe and Canada), additional feed wheat to add protein in animal feeds, synthetic amino acids, and Brazilian soybeans. Reports indicate that some smuggling of Round-Up ready soybeans into southern Brazil occurred in 1999, but it appears that the Brazilian government intends to tighten security on the planting ban. In a recent visit to ISU by a team of French scientists, we had the impression that EU soybean users have much greater confidence in their ability to get non-GMO soybeans from Brazil than from the U.S.

**EU Soybean & SBM Total
Imports, & U.S. Exports to EU
(SBM in Soybean Equiv.)**

